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AgExporter

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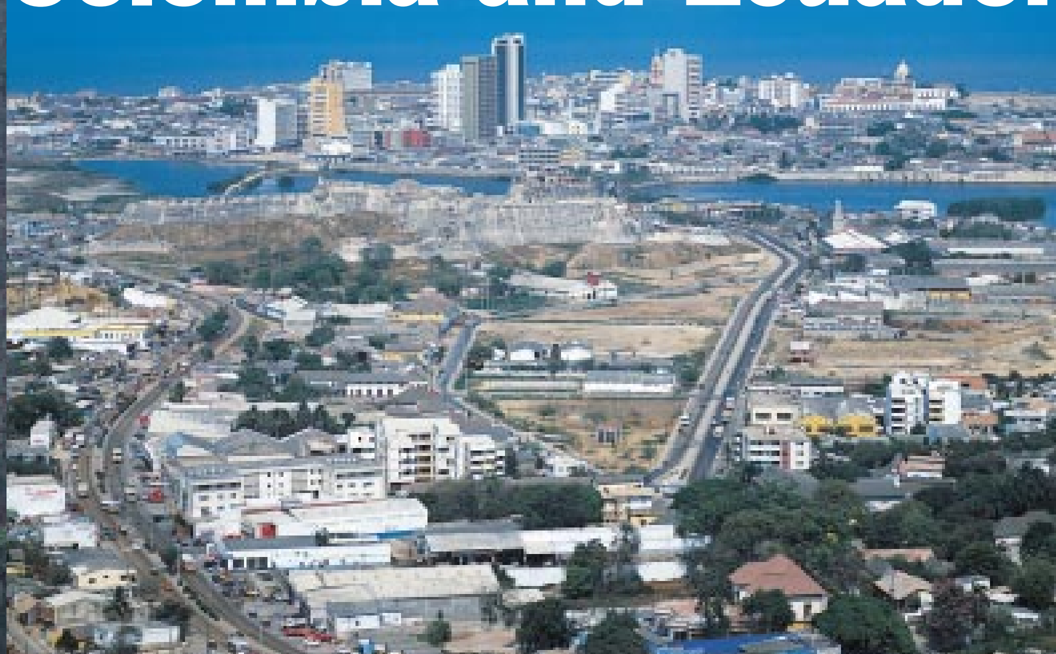
Foreign Agricultural Service

July 2001

Promising Potential Markets of Tomorrow: Colombia and Ecuador



Selling to a More Organically Oriented Asia

U.S. Wood-Frame Construction: Can It Help Reduce Damage in Earthquake-Prone Turkey?

The Magazine for Business Firms Selling U.S. Farm Products Overseas

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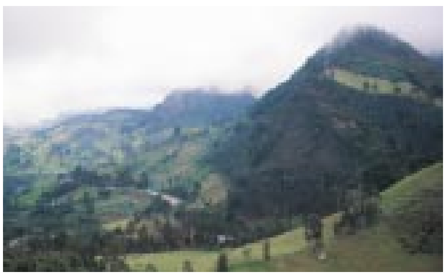
Features



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Colombia's Consumers Are Ready To Dine

SUPERSTOCK

by Luz Hernandez

Colombia is a major market for the world's agricultural producers, with food and agricultural imports totaling $1.3 billion in 1999. And it's an important market for the United States–in fact, the second-largest market for U.S. food and agricultural products in Latin America, after Mexico. Colombia imported $541 million in U.S. food and agricultural products in 1999–$86.9 million of it as consumer-oriented products.

Like most of Latin America, Colombia suffered a severe recession in 1999. But market observers think the Colombian economy is recovering, and that the country is a growing market for consumer food products, with opportunities in just about every category–an assessment supported by recent economic statistics.

National demand and household consumption of consumer food products are expected to have increased by 4 and 6 percent, respectively, in 2000. Total import growth is expected to have climbed 14 percent, good news after a 26-percent drop in 1999. Growth in gross domestic product (GDP) is forecast at 3 percent for 2001, and inflation at 8-9 percent.

Growth Boosters

The socioeconomic trends typical of many developing countries support growth prospects for Colombia's food market.

About 60 percent of Colombia's population is under the age of 30. This young population is quick to adopt new trends and products and should provide steady demand stimulus.

The youthful population and rising female participation in the labor force have stimulated demand for consumer-ready foods and the expansion of fast-food and lower priced restaurants.

Between 70 and 75 percent of the population lives in 23 large and medium-sized cities, all with modern supermarkets. Rising urban concentration also means strong demand for consumer-ready food products and institutional food services in the education, medical and recreation sectors.

Middle-income families are developing a taste for new and more sophisticated products. Upscale and middle-income Colombian families eat out at least twice a month, and devote 24 percent of food spending to meals away from home.

Tourism, already a leading sector of Colombia's economy, has tremendous potential. Colombia is pursuing an aggressive tourism plan with programs designed to attract foreign visitors. However, at present growth in tourism is constrained by security problems, especially in the countryside. Improvements in security and safety could prompt greater foreign investment and economic growth. Such changes could lead to an expansion of tourism, with a concomitant exponential demand for imported food products.

To Market, to Market

The basic trends that are altering markets around the globe are quite evident in Colombia–the proliferation of modern supermarkets, hypermarkets, gas marts and other convenience stores.

Colombia's **supermarket sector** is one of the most modern in Latin America, and brought in $5.2 billion in food product sales in 1999. The sector has undergone massive structural change in recent years, with domestic chains seeking strategic alliances with international partners to modernize and retain market share.

Hypermarkets, such as Dutch retail giant Makro and France's Carrefour, made their first incursions in the country in 1998. Acquisitions of Colombian companies, such as the U.S.-based firm New Bridge's purchase of 25 percent of Carulla, and the French firm Casino's purchase of 25 per-

COLOMBIA'S GROWING CONSUMER FOOD MARKET OFFERS OPPORTUNITIES IN ALMOST ALL CATEGORIES.

cent of Exito and of the Cadenalco group, are consolidating the sector.

Convenience stores, especially gas marts, have begun to spread. As a result, supply channels have been streamlined rapidly and direct imports have jumped dramatically.

Traditional neighborhood **mom-'n'-pop stores** are alive and well in Colombia–in marked contrast to the trend in many countries. Convenience stores, which normally crowd out mom-'n'-pop outlets, cannot match their services (e.g., credit, small-quantity sales of bulk products and proximity)–which make them more convenient even than convenience stores. So great is the appeal of mom-'n'-pop stores that they have constrained the growth of

SUPERSTOCK

supermarkets and hypermarkets, and will likely remain strong competitors for the foreseeable future.

Middle-class Colombians make one to three major shopping trips per month to the supermarket, supplemented by several trips a week to mom-'n'-pop and specialty shops. So far, only 4 percent of consumers shop regularly at hypermarkets, but this figure is increasing steadily.

Eating Out

Colombian hotels offer considerable sales opportunities for food product suppliers. Food and beverage sales alone make up 32 percent of total hotel industry earnings. To lower costs and maintain consistent supplies of imported products, hotel chains are investigating the possibility of forming alliances to create importing groups and joint stocking and distribution centers.

Colombia boasts several international hotel chains with world-class services and facilities, and luxury hotels tend to be big buyers of imported food products. **High-class restaurants** are also big consumers of food imports.

Quick service and fast-food restaurants, especially franchises, are expanding rapidly, and represent 33 percent of the food sales in Colombia's hotel, restaurant and institutional (HRI) sector. These restaurants have become the solution for households that have little time to prepare traditional meals. Most multinational fast-food franchises, such as McDonald's and Pizza Hut, have outlets here.

Colombia's HRI sector has benefitted from the arrival of the hypermarkets, because they offer a variety of new, competitively priced products oriented toward institutional markets, such as hospitals and schools.

Hurdles and Barriers. . .

But the market does present certain challenges. Colombia itself is a strong agricultural producer, with a food industry that accounts for 29 percent of the country's industrial production.

Moreover, policies to protect Colombia's domestic production limit the potential of some U.S. products. Chicken, turkey and duck are subject to such restrictive measures.

Some Colombian bilateral trade agreements with other countries make some U.S. products less competitive, such as zero import duties on wines and apples from Chile.

In addition, Colombia gives advantageous trade terms to fellow members of the Andean Community—Bolivia, Ecuador, Peru and Venezuela. For example, besides a basic duty, the Andean Community assesses a variable duty on 14 basic commodity groups and related products, or a total of 147 products. This system results in high and varying duties for many products, such as pet food, poultry and cheese.

Other barriers to imports include import licensing requirements and sanitary and phytosanitary certification. Colombia's customs-clearance process remains cumbersome. The cold-storage transportation network is very underdeveloped.

. . . And Overcoming Them

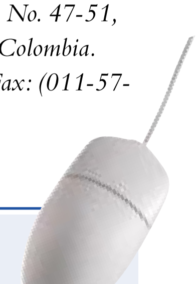
U.S. products are well regarded in Colombia for their high quality, safety and nutritional value. U.S. exporters who can guarantee reliable supplies will have an added advantage, since Colombia's HRI sector in particular has difficulty in obtaining consistent supplies of imports.

As always, the key is to know the market and meet its needs. Here are some tips for market success:

- Base your competitive position on the equation of high quality, price and service to meet increasing competition, both foreign and domestic.
- Take advantage of food fairs and exhibitions. Participate in trade exhibits, product samplings, advertising and promotional campaigns.
- Develop Spanish-language marketing and communication materials that highlight products and services.
- Establish direct relations with leading companies to develop a low-cost, direct sales approach.
- Develop relationships with top executives, such as marketing directors and purchasing managers, and acquaint them with U.S. business practices. ■

SUPERSTOCK

The author, an external contractor, based this article on reports prepared in conjunction with the FAS Post in Bogota. For more information or assistance in exporting to this market, contact the Office of Agricultural Affairs, U.S. Embassy, Calle 22D-BIS, No. 47-51, Apartado Aereo 3831, Bogota, Colombia. Tel.: (011-57-1) 315-4147; Fax: (011-57-1) 315-2181; E- mail: agbogota@fas.usda.gov



For details, see FAS report Nos. CO0033 and CO0034. To find it on the web, start at **www.fas.usda.gov**, select **attache reports** and respond to the dialogue boxes.

New Variables in Ecuador's Exporting Equation

By Rene A. Alarcon

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Ecuador is currently attempting to shake off the effects of an economic crisis that hit during 1999 and part of 2000. So disastrous was the crisis that it resulted in the collapse of the banking sector and the dollarization of the national currency.

"Dollarization" means that the U.S. dollar has been substituted for Ecuador's currency, the sucre.

It appears that the corner is being turned. Since the fourth quarter of 2000, when dollarization took full effect, the economy has begun to improve and imports have grown. The "new money" seems to have cast a stabilizing spell across the economy that is reflected in rising imports.

During 2000, Ecuador's GDP grew slightly, reaching $14 billion. Optimistic projections suggest that GDP may attain $19.7 billion by the end of 2001, a figure not seen since 1998.

At the same time, persistent low wages are a fact of life in Ecuador; most of the population simply cannot afford to buy imported food.

Inflation was a primary worry in the recent past, and continues to bear watching. Although dollarization was intended to reduce inflation, it caused and is expected to continue causing further price increases. While inflation is expected to gradually diminish, the anticipated annual rate of 25 percent for 2001 may present an oblique opportunity for U.S. products to become more price competitive.

As things currently stand, the United States enjoys a 16-percent market share of consumer-oriented product imports in Ecuador. Total U.S. agricultural market

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What Ecuador Adores

Based on import statistics, Ecuadorian consumer preferences and market trends, the following products offer outstanding U.S. export opportunities:

- Fresh fruit: apples, peaches, pears and grapes
- Snack foods
- Pet foods
- Poultry
- Wine, beer and soft drinks
- Processed and canned vegetables, including frozen french fries
- Milk powder and dairy products
- Breakfast cereals and pancake mixes
- Canned fruits
- Dried nuts
- Salsas and spices
- Meat Products
- Fruit and vegetable bases
- Confectionery items and chocolate candy
- Baby foods
- Nursery products

ECUADOR'S GDP MAY ATTAIN $19.7 BILLION BY THE END OF 2001, A FIGURE NOT SEEN SINCE 1998.

share, including forest products and seafood, is just over 30 percent.

During the past 3 years, though, these sales took it on the chin, before beginning to rebound.

While in 1998, food imports from the United States reached $26 million, they were pounded back to $11.7 million in 1999, following a startling devaluation of the former Ecuadorian currency. It is estimated that they rose 12 percent in 2000 and are poised to spring forward again.

In 2000, Ecuador's top five suppliers of consumer-oriented foods were Chile, Colombia, the United States, Mexico and Venezuela.

Make it Spicy, Fried and Fast

Although Ecuadorians are more nutrition-conscious than ever before, those who insist on eating healthy remain in the minority. Most like their food spicy, fried and fast. Mexican, Italian and American foods find plenty of flavor favor.

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Business Tips for Exporters

- The best way to enter this sector is through direct contact with supermarkets and commissaries, or using local importers and distributors who usually ask for exclusive representation.
- Stay in close contact with your consolidator and import agent. They can pass you important information about your customers' needs.
- Large importers, such as wholesalers and supermarket chains, tend to buy directly from the manufacturer or producer, while smaller importers often work with distributors and representatives.
- Try to deal directly with local brand representatives, who can manage marketing strategies, training, advertising, promotion, and market reporting.

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For details, see FAS report EC1003. To find it on the web, start at **www.fas.usda.gov,** select **attache reports** and respond to the dialogue boxes.

And what's on the typical table? Mayonnaise and ketchup are ubiquitous, and rice is a staple. Potatoes usually accompany lunch or dinner.

Fast foods are dominated by roasted chicken, hamburgers, hot dogs and sandwiches, washed down with soft drinks, fruit juices and beer.

Riding the Retail Roller Coaster

In 1998, the size of Ecuador's retail food sector market was $2 billion. However, during troubled 1999, it contracted by 20 percent. While reports from 2000 are anecdotal, opinions from food importers reveal that in most cases, sales of food products increased an average of 50 percent during the second half of 2000.

Ecuador's retail food outlets fall into the following categories:

- supermarkets and commissaries
- retail warehouses
- small neighborhood stores
- convenience stores
- delicatessens and specialty food stores
- gas station mini-marts.

Supermarkets and commissaries import around 10 percent of their items from the United States, 90 percent of them food and beverages.

As elsewhere in the world, gas station mini-marts generally offer imported and specialty products such as cigarettes, liquors, snacks (sweet and salty), and soft drinks.

The good news is that the number of supermarkets and self-service stores is increasing as people turn to these outlets for a wider variety of products in a better organized and cleaner setting. U.S. exporters should look to large, modern venues for the retail sales opportunities of tomorrow. ■

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Turkey's Post-Earthquake Conditions Suggest Need for Wood-Frame Construction

By Sonia Verdu and William P. Bomersheim

Since the beginning of civilization, earthquakes have played a role in shaping the history of Turkey. Archeologists have suggested that ancient Troy's impenetrable walls may well have been destroyed, not by an invading army, but by a catastrophic earthquake.

In the last century, major earthquakes wreaked havoc in Turkey more than 13 times. In 1999, the latest series of earthquakes destroyed infrastructure in the most industrialized regions of the country and caused $10 billion in damage.

Worse still, the quakes caused more than 15,000 deaths and left 650,000 people homeless. Large piles of rubble were the only remains of many grand buildings built using concrete and brick. Experts say that nearly all of the fatalities and injuries were due to building collapse.

In the wake of the 1999 earthquakes, Turkish officials have expressed their desire to improve building standards and introduce new construction technologies. Officials have sponsored and attended earthquake safety conferences. Interest in new technology is high.

Turkish interest in new construction technology presents an opportunity that resonates with solid wood and building component producers in the United States–which is, after all, among the most earthquake prone countries in the world.

Experiences in California have taught U.S. engineers and builders many lessons. One of the most important lessons is that wood-frame structures like those used in 95 percent of American homes are inherently more resistant to earthquake damage than other types of construction.

Wood-frame houses are more flexible and can absorb and deflect shocks that would cause more severe damage in structures built of more rigid materials.The light


THOMAS L. HOLZER

weight of the wood-frame structures, as well as wood's natural flexibility, tends to dissipate the motion that results in collapse. This natural advantage, when teamed with special construction techniques such as plywood panel bracing in wall framing, helps to prevent tragic collapses that can bury occupants in rubble.

Today, Turkey is buzzing with major reconstruction efforts. Billions of dollars are being spent to rebuild areas destroyed in 1999; more will be spent over the next few years.

While most of the new construction will continue to use such traditional materials as brick and concrete, the post-earthquake environment has substantially fanned interest in wood-frame technology.

WOOD-FRAME STRUCTURES LIKE THOSE USED IN 95 PERCENT OF AMERICAN HOMES, ARE INHERENTLY MORE RESISTANT TO EARTHQUAKE DAMAGE THAN OTHER TYPES OF CONSTRUCTION.

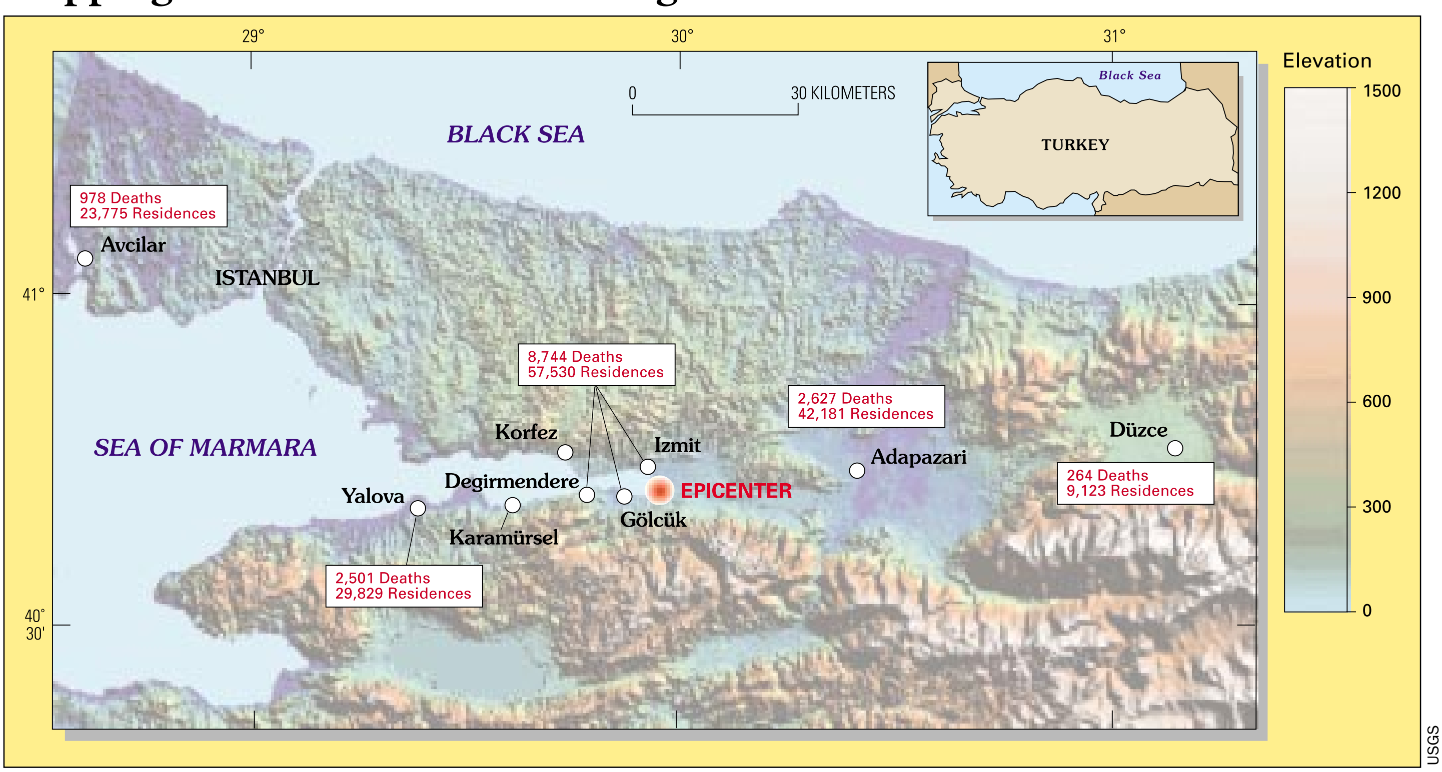
This spells opportunity for U.S. companies experienced in wood-frame construction and interested in helping Turkey adopt wood-frame construction technology. Moreover, wood-frame construction could translate into sales for U.S. suppliers of solid wood products and engineered components.

Determining the Anatomy of an Earthquake

Immediately following the Turkish earthquake, the U.S. Geological Survey (USGS) was invited to assist in post-earthquake investigations. The findings are summarized in *"Implications for Earthquake Risk Reduction in the United States from the Kocaeli, Turkey, Earthquake of August 17, 1999,"* U. S. Geological Survey Circular 1193. Available free on application; write:

U.S. Geological Survey
Information Services
Box 25286
Denver, CO 80225

Mapping the Effects of a Far-Flung Disaster



Major cities and towns in Turkey that experienced significant damage to residential units and loss of life during the Kocaeli earthquake. Upper number represents fatalities; lower number, lightly to heavily damaged residential units. *(Statistics from the Prime Ministry of Turkey, Crisis Management Center, September 12, 1999).*

The Foreign Agricultural Service (FAS) is working in partnership with First Renaissance Ventures, Wickes International and APA–The Engineered Wood Association to promote awareness and understanding of U.S. wood products and technologies in the Turkish residential market through FAS' Emerging Markets Program. ■

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Bomersheim is a marketing specialist in FAS's Forest and Fisheries Products Division. Tel.: (202) 720-1596; Fax: (202) 720-8461; E-mail: bomersheim@fas.usda.gov

For more information, contact FAS' Forest & Fisheries Products Division: (202) 720-1596, or First Renaissance Ventures: (202) 463-7010.

Promoting Wood Awareness in Turkey

The Foreign Agricultural Service, in partnership with the team of First Renaissance Ventures, Wickes International and APA-The Engineered Wood Association, has introduced a new program to promote understanding of U.S. wood products and technologies the Turkish residential market. The program is:

- Providing professional and technical services to the Turkish residential construction market;
- Building demonstration homes showcasing wood-frame construction products and technologies;
- Developing an exhibit booth and attending key building shows in Turkey;
- Sending U.S. experts to Turkey to meet key construction parties;
- Bringing Turkish officials to the United States to view the residential construction market; and
- Preparing materials to help Turkish builders understand these products and technologies.

U.S. COMPANIES EXPERIENCED IN WOOD-FRAME CONSTRUCTION MAY BE INTERESTED IN HELPING TURKEY RECONSIDER ITS BUILDING TECHNOLOGY.

CHARLES MUELLER

Russia and the Baltic Countries: FAS Missions of Investment and Opportunity

By Frank Fender

This spring, about 20 U.S. agribusiness executives had a chance to see what Eastern Europe and the Newly Independent States have to offer, thanks to the Foreign Agricultural Service. They liked what they found–and the result points toward increased trade among the United States, Russia and the Baltic countries.

Not a Trade Mission–Something More

Like conventional trade missions, investment missions promote U.S. products, but they also go a little further. They seek to build mutually beneficial business partnerships between host nations and U.S. companies. This helps emerging nations continue their progress toward stability and growth while providing profitable business opportunities for U.S. companies.

These investment missions are conducted by the Trade and Investment Program of FAS. The Russian mission was coordinated with the Program to Revitalize Russian Agriculture Through Regional Investment (PRARI), a joint project of the U.S. Department of Agriculture and the U.S. Agency for International Development.

Jes Nielsen, with International Custom Products, Inc., participated in the trip to the Baltic countries of Estonia, Latvia and Lithuania. His company, headquartered in

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Dubois, Pa., exports, imports and distributes dairy-based food ingredients worldwide. Nielsen brought plenty of market intelligence back to Pennsylvania, especially about Lithuania.

"I saw this as a fact-finding mission to learn if there was anything our company would consider investing in or purchasing," he said.

Tim Cornwell, director of procurement, commodity lumber, for Georgia-Pacific's Building Products Distribution Division saw a different kind of opportunity in this investment mission.

"Georgia Pacific is always looking for new suppliers to meet our growing customer demand and the Baltic countries show potential," he said.

Cornwell added that partnerships with several Baltic companies may be the gateway for Georgia-Pacific to create a supply base with a reviving Russian economy.

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How an Investment Mission Works

The mission to Estonia, Latvia and Lithuania took place in February 2001; a second mission covered the prime Russian agricultural areas of Rostov, Samara and Lipetsk in April 20-30, 2001. These regions were selected due to their more progressive politics and investment environment.

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Participants in both missions had a chance to meet with pre-screened strategic or financial partners in the host country. There were briefings from U.S. embassy and trade officials, and opportunities to meet with local government and banking officials.

"We also provided participants with a chance to meet U.S. businesses that have successfully invested in the regions," said Christian Foster, who heads the Trade and Investment Program in FAS' Food Industries Division. "This gives our participants the chance to ask questions and gain insights that only first-hand experience can provide."

FAS provided translators and organized the trip, including travel arrangements between the Baltic states. FAS also covered some of the costs of local transportation and made arrangements for meetings and set up individual appointments.

Participants covered their own international travel and hotel costs.

"We were provided excellent service in every possible way," said Nielsen. "We had support from everyone, from FAS' agricultural attaches to the local ministers. Whenever we needed a translator we had one. Everything was well organized."

Cornwell and Nielsen agreed that the delegation members covered a lot of ground. They visited prospective partners, attended meetings and listed to representative of banks, development agencies and chambers of commerce throughout the region.

"This was no holiday; we were there to work," said Nielsen. "I think, however, that we learned a lot about trade opportunities from the Baltic producers; I think they learned a lot from us as well."

Straight Talk About Dairy Opperations

Nielsen and Cornwell were among participants in the Baltic mission. Both gained valuable insights into the region.

"After touring dairies in the three countries, I learned that they are not all at the same stage of development," said Nielsen, whose dairy-industry linkages are central to his firm's profitability.

"Nevertheless, many of the dairies are very modern, and many have upgraded to EU standards in anticipation of the Baltic States' gaining membership in the European Union. I was surprised at how good their processes were."

Although many cheese factories need some modernization, not all of them were behind the times, he added.

"In each country we learned something that could be of interest from a business point of view."

Russian Mission a Success

Given the financial crisis there in 1998, it may seem strange that Russia was a choice for an investment mission, but actually the timing was quite good.

"Reports show that the Russian economic meltdown is over," said Foster. "Personal incomes are up, as is direct foreign investment."

There are other good reasons for businesses to consider Russia now. Business-friendly tax reforms are underway and the ruble devaluation has dramatically lowered business costs. Moreover, as the economy has improved, Russia's farms and food processors are turning better profits.

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Perhaps this explains why all the spaces on the Russian mission filled up quickly with U.S. agribusiness executives.

"We were pleased with the diversity of our participants," said Foster. "Among the group were an oilseed processor, a meat processor, an irrigation equipment manufacturer, a poultry concern and a grain company."

Yet another indication of how far Russia has come is the broad-based support for this investment mission. FAS' Emerging Markets Program funded the Russian trip, which was coordinated with the FAS office in Moscow. The U.S.-Russian Business Council and the American Chamber of Commerce in Russia also lent their support as did the U.S. Department of Commerce.

What's Next for Trade and Investment?

In a new project that's just getting underway, USAID is providing $1 million for a technical assistance program to improve Yugoslavia's agricultural regulatory and policy frameworks.

The plan is to assist Yugoslavia in food safety efforts, WTO and trade policy issues, border controls, veterinary inspection and market information. An academic exchange program is also planned.

"We're very excited and pleased with this latest project, said Foster. "It seems our past successes are putting us in a great position to leverage additional resources to help others in the future–both in the United States and in emerging markets. ■

For more information, contact Christian Foster at FAS' office of International Cooperation and Development in Washington, D.C. Tel.: (202) 690-2988; Fax: (202) 690-3982; E-mail: FosterC@fas.usda.gov

Organics East: Postcards From the Pacific Market

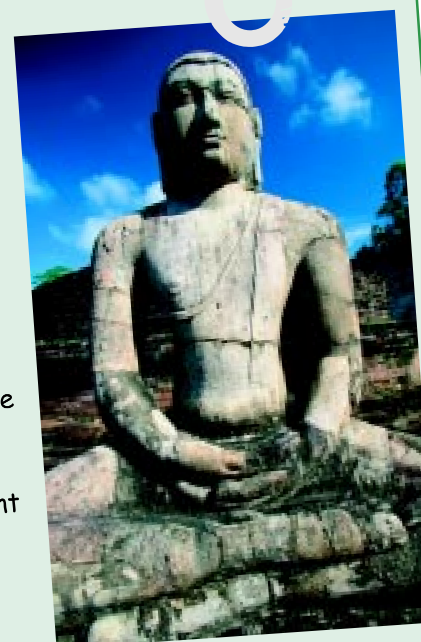
Organic producers, go east! Several Asian countries are just discovering organic foods, presenting an unparalleled chance to enter the market right as it begins to develop. Some of Asia's wealthiest consumers look to organic foods as a healthy change—much as their Western counterparts do.

Vietnam

There is evidence that the Vietnamese government wants to limit additives in the foods it imports; the government has started to check imported foodstuffs against a published list of acceptable food additives and ingredients. This new focus seems tailor-made for the natural and organic food exporter.

Still, all exporters should verify that their food ingredients and additives are permitted. To learn if your product may be imported, contact:

Dr. Phan Thi Kim
Director, Food Administration Department
Ministry of Health
138A Giang Vo Street, Hanoi, Vietnam
Tel.: (84-4) 846-3839
Fax: (84-4) 846-3739



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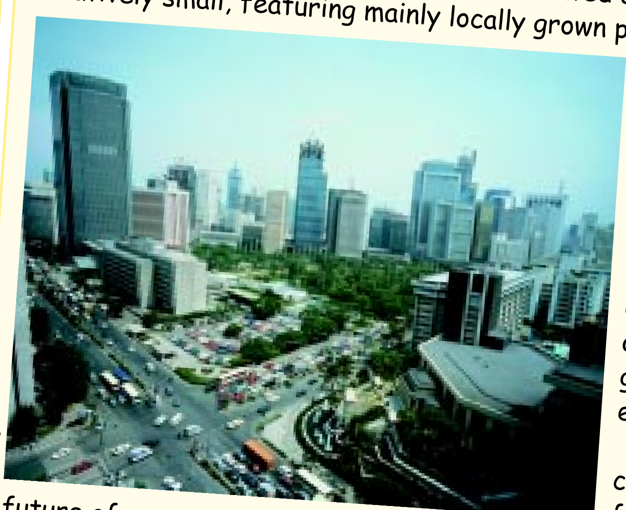
The Philippines

The Philippine organics industry, estimated at $5.2 million, appears to be relatively small, featuring mainly locally grown products that are limited in variety.



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The promising news is that production is expanding by a healthy 10 to 20 percent annually. Experts envision demand for organic products eventually outpacing local production. Once more consumers become aware of organic foods and have better access to them, the potential for growth in imports will clearly exist.

Since for most Filipino consumers, price is the deciding factor in the food they buy, the future of organic food rests as a niche market, mainly appealing to wealthier, well-traveled customers who have been influenced by the "healthy lifestyle" elsewhere. In some cases, organic food sales may also gain ground because of concern over food safety, the environment or health considerations.

Korea

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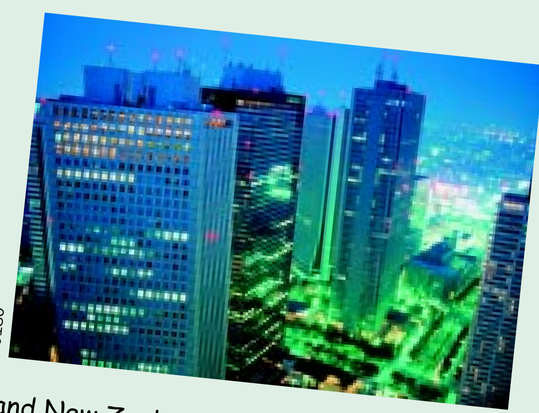
Think of Korea as the budding flower of organic foods in Asia. This market is relatively small, but has grown rapidly over the past decade. Current import regulations are ambiguous, but favor processed organic ingredients.

A recent survey showed that many consumers plan to purchase more organic foods. One-third of those surveyed said they would be willing to pay as much as 50 percent more for organic products. Clearly, the Korean market promises potential for U.S. exporters of organic foods.

Korea's domestic production has also shown tremendous growth over the past decade. The amount of farmland devoted to organic practices rose to 17-fold over the past 10 years since 1990.

Korean consumers are earning more, so they can afford to care more about the quality of their food. Currently, fresh fruits and vegetables account for more than 60 percent of the total product in the market. Imports of organic processed ingredients represent a small portion of the total, but the market for such products is expected to flourish in the near future.

Japan



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Call it a cool deal for organic exporters–Japan's top frozen foods importer, Nichirei, is now selling organic foods, certified in accordance with Japan's new labeling regulations. Thanks to Nichirei, organic frozen vegetables from the United States, China and New Zealand have made their debut in Japan. Since March, these vegetables have been certified according to revised Japanese organic standards.

While FAS' Agricultural Trade Offices in Osaka and Tokyo have been promoting U.S. organic foods, the Agricultural Affairs Section at the U.S. Embassy in Tokyo has been busy negotiating market access terms with the Japanese Ministry of Agriculture. With implementation of the U.S. National Organic Program, the agricultural affairs office is working to obtain Japanese recognition of the new U.S. standards.

This would allow U.S. certified organic products to be exported to Japan. Until equivalency of standards is recognized, an interim agreement will be in place to allow trade to continue.

U.S. exporters should also be aware that, to many consumers in Japan, the word "organic" denotes high food-safety and nutrition standards.

The market will certainly grow as more consumers gain confidence with the new certification and labeling programs, but lower prices and higher product variety are also important for increasing sales. Correspondingly, U.S. suppliers should consider promotions, products and price as three keys to success.

New Zealand

Heads up–the competition is well organized! New Zealand's organic producers and processors have formed the Organic Products Exporters Group, or OPEG to develop international market opportunities and improve the industry infrastructure. New Zealand exports reached over $27 million in 1999/2000 with a significant 77-percent growth in the U.S. and European markets. OPEG predicts the New Zealand organic exports to be worth $225 million by 2006.

Note that New Zealand's domestic consumption of organics is rising to $14 million, suggesting opportunities that U.S. organic exporters should check out.

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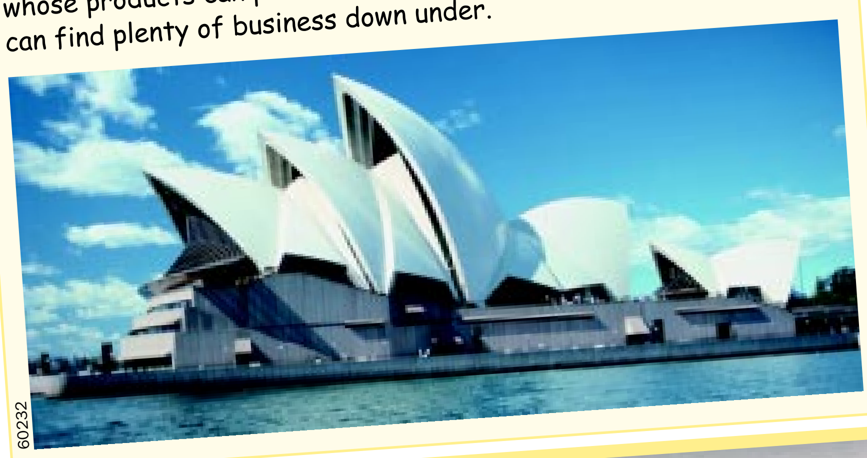
Australia

Calling all low-tech farmers: Australia's importers want to do business with you. One Australian producer told FAS the strong growth pattern in organic food is being driven by consumers who want food from crops bred naturally, without genetic modification.

This source says that media reports on biotechnology issues often inflate organic sales and profits. This source also links reports of food and chemical contamination to increases in organic sales.

But right now Australia's farmers can't meet consumer demand. They're looking for long-term contracts in order to proceed with investments in organic farming methods, since start-up costs are high.

Meanwhile, an established U.S. organic farmer or exporter whose products can pass muster with Australia's organic standards can find plenty of business down under.



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The posts that contributed to this story have further details about their respective markets. Exporters with questions about a particular region are encouraged to contact them for details.

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U.S. and EU Resolve Banana Dispute

The United States and the European Commission reached an agreement to resolve the long-standing dispute over bananas. A new regime will go into effect on July 1, 2001, providing a transition to a tariff-only system by 2006.

During the transition, bananas will be imported into the European Union (EU) through import licenses distributed on the basis of past trade. The European Commission will also initiate the necessary procedures to propose to the Council of Ministers an adjustment of the quantities in the various quotas, in order to expand access for Latin American bananas and to secure a market share for a specific quantity of bananas of African Caribbean Pacific (ACP) origin. When the new system goes into effect the United States will suspend the sanctions imposed since 1999 against EU imports valued at $191 million.

Biggest High-Value Market and Growing

Canada is the top market for U.S. consumer food products and one that has been growing steadily over the past 10 years.

U.S. agricultural, fish and forest product exports to Canada in 2000 ($10.1 billion) exceeded the level exported to the 15 European Union member states by more than $2.0 billion for the same time period. Nearly half of all U.S. exports of fresh fruits and vegetables ($3.3 billion) go to Canada. It is interesting to note that with regard to agricultural trade, if the province of Ontario, British Columbia and Quebec were countries they would rank, respectively, as the fourth ($4.6 billion), eighth ($1.1 billion) and 18th ($525 million) largest individual markets for U.S. agricultural exports.

U.S. Almond Exports to India Break Record

U.S. almond exports to India, now the industry's second largest export market after Germany, reached a record level of $70.5 million in calendar year 2000, up 76 percent from the previous year. Almonds were the leading U.S. agricultural export item to India last year, accounting for over 30 percent of the cumulative export value. Consumers in India used almonds mainly as a food ingredient, rather than as a snack. India buys most of its almonds (approximately 95 percent) from the United States. Through continued market development efforts, industry sources believe that U.S. almond exports to India have the potential to top $100 million per year.

FAS Gets a New Symbol

At the age of almost 50 years, most would agree, it's time for a make-over, so FAS has redesigned its logo. A new slogan characterizes the logo, "Linking U.S. Agriculture to the World." The objective is to better identify the agency and its mission: to expand opportunities in the international marketplace for U.S. agricultural products and to promote world food security.

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Inside This Issue:

- **In the wake of a catastrophic recent earthquake, Turkey is reconsidering construction methods and materials. U.S. wood framing methods offer a safety advantage over masonry.**
- **Colombia and Ecuador are two South American markets where sales of U.S. consumer foods are starting to shine. Find out why.**
- **Yes, they're re-orienting their diets in Asia. Learn more about the organic foods that are selling in the East.**

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